
ANNUAL ACCOUNTS 2009

Community Plant Variety Office



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1. OVERVIEW BUDGET IMPLEMENTATION 2009

INTRODUCTION

In accordance with the financial regulations of the Community Plant Variety Office, the present report provides an overview and analysis of the execution of the budget of the CPVO in 2009 as well as an indication of the key events and developments which impact on the financial situation of the Office.

The report also includes the final financial and budgetary accounts for 2009 for the CPVO.

OVERVIEW

The economic crisis which prevailed throughout the world in 2009 did not leave the Office untouched. The number of applications (particularly for ornamentals) was reduced by 8% as compared to 2008. In spite of this downturn, the Office managed to achieve a budget outturn close to equilibrium for two reasons. Firstly, the annual fees increased due to the amended fees regulation, and secondly, significant savings were made in discretionary expenses (such as IT investments). Finally, recruitments and non-urgent projects were postponed where possible.



BUDGETARY OUTTURN

The Office pursued a strategy in 2009 of keeping the budget outturn as close to equilibrium as possible. The budgetary outturn is the difference between the budgetary receipts and budgetary payments. The final outturn for the year amounted to a surplus of € 200 233 as compared to a deficit of € 728 478 in 2008.

Table 1: Budgetary outturn 2009

Description	2009 ¹	2008	Variation
Fee Revenue	11 390 680	9 647 945	18.1%
Other Revenue	392 301	966 616	(59.4%)
Total Revenue	11 782 981	10 614 561	11.0%
Staff Expenditure	5 176 003	4 780 229	8.3%
Administrative expenditure	1 405 649	2 147 461	(34.5%)
Operational expenditure	5 275 777	4 806 896	9.8%
Total expenditure	11 857 429	11 734 586	1.0%
Budgetary Outturn	(74 448)	(1 120 025)	93.3%
Non-budgetary receipts	274 681	391 547	(29.8%)
Net outturn for the year	200 233	(728 478)	127%



¹ All figures in the document are expressed in Euro (€) unless otherwise specified
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REVENUE

Overall revenue increased by 11% as compared to 2008 and was very close to the budgeted amount for 2009 (3% difference). This was possible, in spite of a significant drop in interest income and applications volume due to the new fee levels put in place.

Table 2: Revenue 2009

Income type	2009	2008	Variation
Fees and surcharges	11 390 680	9 647 945	18 %
Administrative operations	59 628	39 539	51 %
Miscellaneous income	13 222	15 456	(14 %)
Bank interest	154 024	746 225	(79 %)
Multi-beneficiary funds	165 427	165 396	-
Total receipts	11 782 981	10 614 561	11 %

A more detailed analysis of the "Fees and surcharges" income shows that the key increase in revenue came from Annual fees. This increased by almost 50% and directly reflects the increase in fee levels put in place during the year. As expected, the total amount received for application fees fell by 10%.

Table 3: Breakdown of fee income

Fee type	2009	2008	Variation
Annual fees	5 130 500	3 433 300	49 %
Examination fees	3 427 440	3 115 949	10%
Application fees	2 458 800	2 731 500	(10 %)
Report sales	113 760	79 920	42%
Appeal fees	4 000	11 000	(64 %)
Take-over report	237 360	257 520	(8 %)
Miscellaneous fees	18 820	18 756	-
Total fees	11 390 680	9 647 945	11 %

As regards investments income, Office continued with its policy of investing in low risk products (negotiated deposits with banks and also with State-backed treasury shares). The unprecedented reduction in interest rate levels by the European Central Bank meant that the total investment income fell 79% as compared with 2008, however it remained in line with budgeted amounts.

The Office will continue in future to focus on minimizing risk to treasury resources.

Finally, non-budgetary income, shown in table 1 above concerns mainly the cancellation of outstanding commitments not settled, not used or cancelled on 31 December 2009. This amounts to € 274 681 for titles 1 and 2 of the Office's budget.



EXPENDITURE

Execution of expenses is made using separate budgetary appropriations for commitments and appropriations for payments.

For staff costs and administrative expenditure (Title 1 and Title 2) the commitment and payment budgets are equal. This means that the amounts committed in a given year should equal the amounts paid in that year (or carried forward to be paid early in the following year).

For operational expenses (Title 3 – mainly examinations), commitments can be made in one year but payment can be spread out over a number of future years (depending on the species being examined). For this reason, the commitment budget is different from the payment budget for operational expenditure.

Table 4: Budgetary Execution (Payments appropriations)

Title	2009 Budget ²	Executed (€)	% Executed	Cancelled (€)
1: Staff Expenditure	5 319 000	5 176 003	97.3%	142 997
2: Administrative Expend.	1 832 000	1 405 649	79.7%	426 351
3: Operational expenditure	6 088 000	5 275 777	86.7%	812 223
TOTAL	13 239 000	11 857 429	89.6%	1 381 571

As can be seen from table 4, the overall level of execution of the payment budget for 2009 was 89.6%.

Title 1 – Staff Expenditure

For title 1 (salaries, social costs, indemnities and related expenditure missions, training costs and use of interim resources) the execution level is high as the salary amounts are stable and largely foreseeable.

Staff expenditure increased in 2009 due to limited recruitment and career development. The salary grid for staff of the Office, being governed by the levels set by the European Council is also subject to changes in line with inflation.

Cancellation of payment appropriations means that initially foreseen expenses were not incurred. In 2009 in response to the developing worldwide economic crisis, efforts were made to cut back on discretionary payments wherever possible. Significant savings were made for example with interim staff (€ 87 115) and travel expenses (€ 20 850).

Table 5: Payment execution title 1

Budget article	2009 Budget ³	Executed (€)	% Exec.	Cancelled Credits (€)	Paid in 2009 (€)	% Paid 2009	Carried forward to 2010 (C8 credit - €)
E1100 Staff	4 897 000	4 874 733	99.5%	22 267	4 869 835	99.9%	4 898
E1200 Training	80 000	76 803	96.0%	3197	47 459	61.8%	29 344
E1300 Travel	210 000	189 150	90.1%	20 850	183 949	97.3%	5 201
E1400 Interim staff	95 000	7 885	8.3%	87 115	7 885	100%	
E1500 Assistance /	20 000	19 931	99.7%	69	14 473	72.6%	5 458
E1700 Representation	17 000	7 501	44.1%	9 499	6 501	86.7%	1 000
Total	5 319 000	5 176 003	97.3%	142 997	5 130 102	99%	45 901

Of the total executed, 99% (€ 5 130 102) was paid during the year and 1% (€ 45 901) will be paid in early 2010 once invoices are received. This amount carried forward compares favourably to the amount carried forward from 2008 to 2009 (€ 51 107).

Title 2 – Administrative Expenditure

Title 2 (administrative expenditure) which includes equipment, IT and property related costs has a lower level of execution as it was on this budget that most efforts were made in order to reduce or delay non-urgent spending, thereby allowing the budget outturn to approach equilibrium. The total execution of the budget was therefore lower than for title 1 at 76.7%. As can be seen from table 6 below, savings on "Other equipment" for example, amounted to € 161 406 while on IT costs, savings of € 54 725 were made.

Table 6: Payment execution title 2

Budget article	2009 Budget	Executed (€)	% Exec.	Cancelled Credits (€)	Paid in 2009	% Paid 2009	Carried to 2010 (C8 credit)
E2000 Property costs	400 000	369 781	92.4%	30 219	283 592	76.7%	86 189
E2100 IT costs	400 000	345 275	86.3%	54 725	242 522	70.2%	102 753
E2200 Equipment	220 000	58 594	26.6%	161 406	45 775	78.1%	12 819
E2300 General admin.	192 000	172 752	90.0%	19 248	77 895	45.1%	94 857
E2400 Postage and tel.	100 000	98 630	98.6%	1 370	68 849	69.8	29 781
E2500 Meetings /	300 000	227 017	75.7%	72 983	167 134	73.6%	59 883
E2600 Audit /	220 000	133 600	60.7%	86 400	77 429	58.0%	56 171
Total	1 832 000	1 405 649	76.7%	426 351	963 196	69%	442 453

Of the total executed, 69% (€ 963 196) was paid during the year and 31% (€ 442 453) will be paid in early 2010 once invoices are received.

Title 3 – Operational Expenditure

Expenditure under Title 3 (Operating expenditure) is managed in a different manner from Titles 1 and 2. Under Title 3, commitments are made on “differentiated appropriations”. This means that commitments which have not been cancelled at the year-end are carried forward for payment in future years.

The table below shows the level of execution of the payment budget for operational expenses. The total amount paid (€ 5 275 777) concerns not only commitments made in 2009, but also commitments made in previous years for which examinations are ongoing.

Table 7: Payment execution title 3

Budget article	Initial budget	Transfers	Final budget	Paid 2009	% Paid 2009	Cancelled
E3000 Examination office fees	5 200 000	(70 000)	5 130 000	4 708 756	91.8%	421 244
E3200 Examination reports	200 000	70 000	270 000	238 560	88.4%	31 440
E3400 Publications	248 000	-	248 000	148 645	59.9%	99 355
E3500 Studies	200 000	-	200 000	79 733	39.9%	120 267
E3600 Special advisors	40 000	-	40 000	39 578	98.9%	422
E3700 Multi-beneficiary	200 000	-	200 000	60 505	30.3%	139 495
Total	6 088 000	-	6 088 000	5 275 777	87%	812 223

The total level of commitments on title 3 for 2009 was € 5 504 731 (85% of budgeted amount).

Table 8: Commitment execution title 3

Budget article	Initial budget	Revised budget	Final budget	Committed 2009	% Com.	Cancelled
E3000 Examination office fees	5 520 000	(320 000)	5 200 000	4 932 674	94.9%	267 326
E3200 Examination reports	240 000		240 000	237 120	98.8%	2 880
E3400 Publications	250 000		250 000	139 618	55.8%	110 382
E3500 Studies	500 000	(200 000)	300 000	29 733	9.9%	270 267
E3600 Special advisors	40 000		40 000	26 311	65.8%	13 689
E3700 Multi-beneficiary	-	400 000	400 000	139 275	34.8%	260 725
Total	6 550 000	(120 000)	6 430 000	5 504 731	85.6%	925 269



The following table provides an overview of the total value of outstanding commitments made in 2009 and in previous years which will be paid in the future.

Table 9: Title 3 outstanding commitments

Budget article	Outstanding beginning 2009	De-committed 2009	Committed 2009	Paid 2009	Outstanding end 2009
E3000 Examination office fees	8 989 593	(340 824)	4 932 674	4 708 756	8 872 687
E3200 Examination reports	263 040	(15 600)	237 120	238 560	246 000
E3400 Publications	120 924	(50 017)	139 618	148 645	61 880
E3500 Studies	188 238		29 733	79 733	138 238
E3600 Special advisors	16 920	(3 416)	26 311	39 578	237
E3700 Multi-beneficiary program	21 875	(12)	139 275	60 505	100 633
Total	9 600 590	(409 869)	5 504 731	5 275 777	9 419 675

The figure for amounts outstanding at end-2009 (9 419 675) is important as it provides an indication of the obligations of the office to make payments in the future.



TREASURY RESERVE

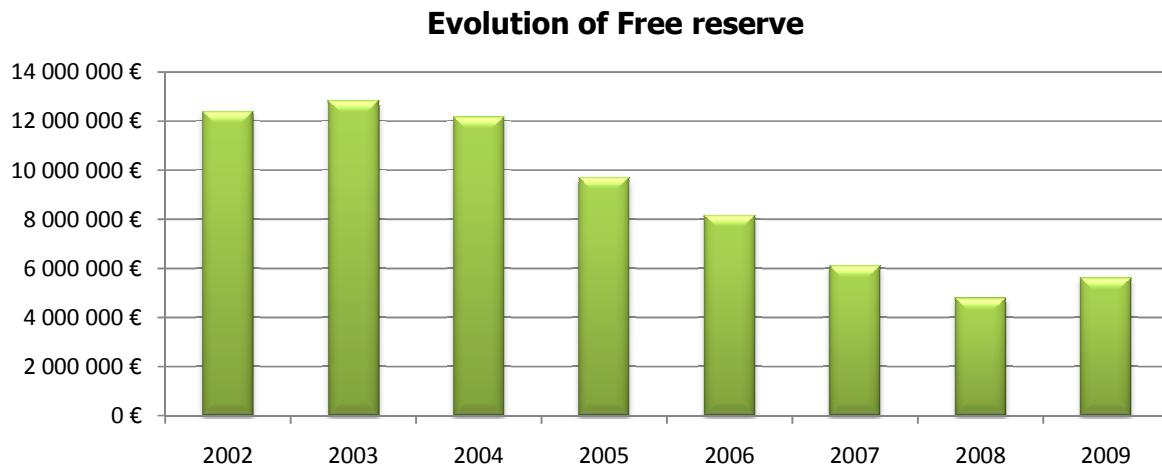
The reserve of cash and cash equivalents of the CPVO at 31 December 2009 amounted to € 15.5 million. However, the outstanding commitments made with third parties (mainly with examination offices) at the same period amounted to € 9.9 million

Table 10: Calculation of free reserve

Description	31.12.2009 €
Treasury Amount	15 532 038
Title 1 amounts carried over to 2010 (C8)	(45 901)
Title 1 amounts carried over to 2010 (C8)	(442 453)
Title 3 amounts carried over (differentiated)	(9 419 675)
Total	5 624 009

The difference constitutes what is known as the "Free Reserve" – essentially the buffer of cash reserve available to the Office once all commitments would be paid.

After a number of years of reduction in the amount of the free reserve, the CPVO, in 2008 achieved its target if € 5 million for the Free Reserve. In 2009, the reserve finished the year at (€ 5.6 million). The increase over 2008 is explained by a clearing of a significant backlog of VAT reimbursements by the Accountant during 2009 as well as the positive budget outturn. It is expected that in future the reserve should remain relatively stable.



CONCLUSION

The Office responded incisively to the developing economic crisis in 2009, and through a combination of fee level adjustment, cancellation and postponement of budgetary spending, managed to achieve a budget very close to equilibrium.

The accounting system, which was still a work in progress in 2008, was fully implemented in 2009 as well as a program of quarterly budget reporting.

In 2009, an amount showing as payable for social security charges (€ 112 000) was written off to the reserve in both the financial and budgetary accounts. This does not have an effect on either the budgetary or economic outcome for the year, but rather on the amounts carried forward from previous years. The balance sheet for 2008 has been restated to correctly reflect this.

The Office continues to place significant efforts into the sound management of the treasury reserve and maintains its aim of safeguarding assets while striving to ensure the maximisation of return on investments.



2. BUDGETARY PRINCIPLES

The following principles are applied for the implementation of the budget of the CPVO.

Principle of unity and budget accuracy: The budget is the instrument which, for each financial year, forecasts and authorises the revenue and expenditure considered necessary for the Office. No revenue shall be collected and no expenditure effected unless booked to a line in the budget. An appropriation must not be entered in the budget of the Office if it is not for an item of expenditure considered necessary. No expenditure may be committed or authorised in excess of the appropriations authorised by the budget of the Office.

Principle of annuality: The appropriations entered are authorised for one financial year and must therefore be used during that year. Commitments shall be entered in the accounts on the basis of the legal commitments entered into up to 31 December. Payments shall be entered in the accounts for a financial year on the basis of the payments effected by the accounting officer by 31 December of that year at the latest.

Principle of equilibrium: The Office's budget revenue and expenditure must be in balance.

Principle of unit of account: The budget shall be drawn up and implemented in euro and the accounts shall be presented in euro. The rate of conversion between the euro and other currencies is taken from the monthly publication

Principle of universality: Total revenue shall cover all expenditure. All revenue and expenditure shall be entered in full without any adjustment against each other.

Principle of specification: The appropriations shall be earmarked for specific purposes by title and chapter; the chapters shall be further subdivided into articles and items.

Principle of sound financial management: Budget appropriations shall be used in accordance with the principle of sound financial management, that is to say, in accordance with the principles of economy, efficiency and effectiveness.

Principle of transparency: The budget shall be drawn up and implemented and the accounts presented in compliance with the principle of transparency. The budget and the amending budgets, as finally adopted, shall be published in the Official Journal of the CPVO within two months of their adoption.



3. BUDGETARY ACCOUNTS

BUDGET OUTTURN ACCOUNT

	2009	2008	Variation
<u>Income</u>			
Fees	11 390 680	9 647 945	18,06%
Grants (Multi-beneficiary)	165 428	165 396	0,02%
Other	226 873	801 220	(71,70%)
Total Income	11 782 981	10 614 561	11,01%
<u>Expenditure</u>			
Title 1 - Staff Expenditure			
Payments during year	5 130 102	4 729 122	8,48%
Payments carried over	45 901	51 107	(10,20%)
Title 2 - Buildings and administrative			
Payments C1	963 196	1 109 682	(13,20%)
Payments carried over	442 453	1 037 779	(57,40%)
Title 3 - Operational Expenditure			
Total Payments	5 275 777	4 806 896	9,75%
Total Expenditure	11 857 429	11 734 586	1,05%
Budgetary Outcome	(74 448)	(1 120 025)	(9.33%)
C8 Credits available for payment	274 681	391 547	(29,80%)
Net Outcome for the financial year	200 233	(728 478)	(127,50%)



BUDGET INCOME

Budget Posts	Description	Budget after RSB and transfers	Income stated in 2009	Income collected in 2009	Variation with budget (%)
1000	Fees and surcharges collected	11 469 000	11 390 680	11 390 680	(3.4%)
3000	Deficit reserve	1 355 000	-		
5000	Income from administrative operations	12 000,00	59 628	59 628	369%
6000	Income from provided service and refund of expenses	15 000	13 222	13 222	(11,00%)
9100	Other income (mainly financial income)	188 000	154 024	154 024	(18,00%)
9300	Multi-beneficiary programme	200 000	165 427	165 427	(17,00%)
	Total	13 239 000	11 782 981	11 782 981	(9,00%)

BUDGET OUTTURN – DETAILED REPORTS

COMMITMENT APPROPRIATIONS

Title	Budget line	Description	Initial Budget	Revised budget	Transfers	Final Budget	Committed	De-committed	Net	%	Cancelled
Title 1	E1100	Staff	4 900 000		(3 000)	4 897 000	4 883 580	(8 847)	4 874 733	100%	22 267
	E1200	Training	80 000			80 000	77 843	(1 040)	76 803	96%	3 197
	E1300	Travel expenses	210 000			210 000	250 780	(61 630)	189 150	90%	20 850
	E1400	Interim staff	100 000		(5 000)	95 000	7 885		7 885	8%	87 115
	E1500	Assistance / Welfare	12 000		8 000	20 000	20 139	(208)	19 931	100%	69
	E1700	Representation	17 000			17 000	17 000	(9 499)	7 501	44%	9 499
Total			5 319 000	-	-	5 319 000	5 257 227	(81 224)	5 176 003	97%	142 997
Title 2	E2000	Property related costs	400 000			400 000	386 220	(16 439)	369 781	92%	30 219
	E2100	IT Costs	400 000			400 000	347 374	(2 099)	345 275	86%	54 725
	E2200	Other equipment	220 000			220 000	60 211	(1 617)	58 594	27%	161 406
	E2300	General admin.	192 000			192 000	183 730	(10 978)	172 752	90%	19 248
	E2400	Postage and telecom	100 000			100 000	100 159	(1 529)	98 630	99%	1 370
	E2500	Meetings and notices	300 000			300 000	289 992	(62 975)	227 017	76%	72 983
	E2600	Audit and evaluation	220 000			220 000	134 200	(600)	133 600	61%	86 400
Total			1 832 000	-	-	1 832 000	1 501 886	(96 237)	1 405 649	77%	426 351
Title 3	E3000	Exam office fees	5 520 000	-320 000		5 200 000	5 068 628	(135 954)	4 932 674	95%	267 326
	E3200	Exam reports	240 000			240 000	243 120	(6 000)	237 120	99%	2 880
	E3400	Publications	250 000			250 000	188 963	(49 345)	139 618	56%	110 382
	E3500	Studies	500 000	-200 000		300 000	29 733		29 733	10%	270 267
	E3600	Special advisors	40 000			40 000	26 639	(328)	26 311	66%	13 689
	E3700	Multibeneficiary prog.		400 000		400 000	515 386	(376 111)	139 275	35%	260 725
Total			6 550 000	(120 000)	-	6 430 000	6 072 469	(567 738)	5 504 731	86%	925 269
TOTAL			13 701 000	(120 000)	-	13 581 000	12 831 582	(745 199)	12 086 383	89%	1 494 617

Title 3 differentiated Credits execution 2009

Title	Budget article	Description	Outstanding beginning 2009	Commitments 2009	De-committed in 2009	Paid in 2009	Outstanding at end 2009
Title 3	E3000	Exam office fees	8 989 593	5 068 628	(476 778)	4 708 756	8 872 687
	E3200	Exam reports	263 040	243 120	(21 600)	238 560	246 000
	E3400	Publications	120 924	188 963	(99 362)	148 645	61 880
	E3500	Studies	188 238	29 733	-	79 733	138 238
	E3600	Special advisors	16 920	26 639	(3 744)	39 578	237
	E3700	Multi-beneficiary prog.	21 875	515 386	(376 123)	60 505	100 633
Total			9 600 590	6 072 469	(977 607)	5 275 777	9 419 675

PAYMENT APPROPRIATIONS

Title	Budget article	Description	Initial budget	Transfer	Final Budget	Committed and available for payment	Paid during year	% Paid during Year	Cancelled (Unused budget)	Carried forward for payment following year
Title 1	E1100	Staff	4 900 000	(3 000)	4 897 000	4 874 733	4 869 835	100%	22 267	4 898
	E1200	Training	80 000		80 000	76 803	47 459	62%	3 197	29 344
	E1300	Travel expenses	210 000		210 000	189 150	183 949	97%	20 850	5 201
	E1400	Interim staff	100 000	(5 000)	95 000	7 885	7 885	100%	87 115	0
	E1500	Assistance / Welfare	12 000	8 000	20 000	19 931	14 473	73%	69	5 458
	E1700	Representation	17 000		17 000	7 501	6 501	87%	9 499	1 000
Title 1			5 319 000		5 319 000	5 176 003	5 130 102	99%	142 997	45 901
Title 2	E2000	Property related costs	400 000		400 000	369 781	283 592	77%	30 219	86 189
	E2100	IT Costs	400 000		400 000	345 275	242 522	70%	54 725	102 753
	E2200	Other equipment	220 000		220 000	58 594	45 775	78%	161 406	12 819
	E2300	General admin.	192 000		192 000	172 752	77 895	45%	19 248	94 857
	E2400	Postage and telecom	100 000		100 000	98 630	68 849	70%	1 370	29 781
	E2500	Meetings and notices	300 000		300 000	227 017	167 134	74%	72 983	59 883
	E2600	Audit and evaluation	220 000		220 000	133 600	77 429	58%	86 400	56 171
Title 2			1 832 000		1 832 000	1 405 649	963 196	69%	426 351	442 453
Title 3	E3000	Exam office fees	5 200 000	(70 000)	5 130 000	5 130 000	4 708 756	92%	421 244	
	E3200	Exam reports	200 000	70 000	270 000	270 000	238 560	88%	31 440	
	E3400	Publications	248 000		248 000	248 000	148 645	60%	99 355	
	E3500	Studies	200 000		200 000	200 000	79 733	40%	120 267	
	E3600	Special advisors	40 000		40 000	40 000	39 578	99%	422	
	E3700	Multibeneficiary prog.	200 000		200 000	200 000	60 505	30%	139 495	
Title 3			6 088 000		6 088 000	6 088 000	5 275 777	87%	812 223	
		Grand Total	13 239 000		13 239 000	12 669 652	11 369 075	90%	1 381 571	488 354

BUDGET OUTTURN OF NON-DIFFERENTIATED CREDITS CARRIED FORWARD (C8)

Title	Budget article	Description	Carried forward from 2008	Paid in 2009*	% Paid	Cancelled
Title 1	E1100	Staff	14 095	11 968	85%	2 127
	E1200	Training	32 122	31 966	100%	156
	E1300	Travel expenses	2 794	(924)	(33%)	3 718
	E1500	Assistance / Welfare	2 096	780	37%	1 316
Total			51 107	43 790	86%	7 317
Title 2	E2000	Property related costs	422 588	314 762	74%	107 826
	E2100	IT Costs	205 921	197 221	96%	8 699
	E2200	Other equipment	153 143	136 527	89%	16 616
	E2300	General admin.	113 373	40 282	36%	73 091
	E2400	Postage and telecom	17 673	4 175	24%	13 499
	E2500	Meetings and notices	89 981	42 348	47%	47 633
	E2600	Audit and evaluation	35 100	35 100	100%	
Total			1 037 779	770 415	74%	267 364
Total			1 088 886	814 205	75%	274 681

Off Balance Sheet Commitments

There are a total of **€ 5 506 225** of commitments for future fundings. These commitments are existing financial commitments for which the submission date is foreseen within the coming years. There is no liability yet for the Office, as the applicants could still cancel the examination before the submission date of material. Therefore they are taken as off-balance sheet commitments.



4. FINANCIAL ACCOUNTS:

BALANCE SHEET: ASSETS

ASSETS	Note	2009 (€)	2008 (€)
Intangible Assets	1	295 072,56	326 631,58
Tangible Assets	2	4 654 931,39	3 092 050,49
Fixed assets under construction		0,00	1 356 760,64
Medium term investments	3	10 221 744,07	
Financial fixed assets		2 745,00	2 745,00
Total non-current assets		15 174 493,02	4 778 187,71
Short-term receivables	4	3 006 719,82	2 860 575,88
Treasury	5	5 365 985,86	15 485 078,55
Other receivables	6	13 100,15	62 847,86
Total current assets		8 385 805,83	18 408 502,29
TOTAL ASSETS		23 560 298,85	23 186 690,00



BALANCE SHEET: LIABILITIES

LIABILITIES	Note	2009	2008 (re-stated)	2008
Accumulated result from previous year	7	12 874 299,57	14 760 114,94	14 647 546,67
Profit for the year		(539 403,46)	(1 885 815,37)	(1 885 815,37)
Interest on available for sale assets	7	55 692,27		
Accumulated result		12 390 588,38	12 874 299,57	12 761 731,30
Accounts payable and accruals	8	11 127 780,06	10 312 390,43	10 424 958,70
Provision for risks and charges				-
Total current liabilities		11 127 780,06	10 312 390,43	10 424 958,70
Long-term provisions	9	41 930,41		-
Total long-term liabilities		41 930,41		
TOTAL LIABILITIES		23 560 298,85	23 186 690,00	23 186 690,00

ECONOMIC OUTTURN ACCOUNT

		2009	2008
Income from fees		10 274 489,78	8 744 319.46
Income from administrative operations		66 909,25	39 720.86
Income from subsidies		59201,29	171 856.10
Total Income		10 400 600,32	8 955 896.42
Operational expenses		4 442 645,72	5 700 673.38
Salaries and Social Taxes		5 069 044,20	4 596 381.63
Overheads		1 238 562,61	1 223 990.86
Depreciation of assets		319 235,22	271 806.06
Provision for risks and liabilities		-	-
Total expenditure		11 069 487,75	11 792 851.93
Surplus/ (Deficit) from operating activities		(668 887,43)	(2 836 955.51)
Financial revenue		138 630,36	701 046.98
Financial expenditure		(9 146,39)	(8 845.74)
Exceptional income		-	258 938.90
Exceptional expenditure		-	-
Surplus/ (Deficit) from non-operating activities		129 483,97	951 140.14
Economic result for the year		(539 403,46)	(1 885 815.37)



CASH FLOW (INDIRECT METHOD)

Cash Flows from ordinary activities	2 009	2 008
Surplus/(deficit) from ordinary activities	(539 403,46)	(1 885 815,37)
Amortization (intangible fixed assets) +	117 142,34	101 993,12
Depreciation (tangible fixed assets) +	131 447,54	206 412,74
Increase/(decrease) in Provisions for risks and liabilities	41 930,41	(258 766,74)
(Increase)/decrease in Long term Receivables	(10 221 744,07)	5 000 000,00
(Increase)/decrease in Short term Receivables	(96 396,23)	(288 026,89)
(Increase)/decrease in Receivables related to consolidated EU entities	-	7 941,73
Increase/(decrease) in Accounts payable	594 879,56	1 821 922,75
Increase/(decrease) in Liabilities related to consolidated EU entities	107 941,80	11 559,83
(Gains)/losses on sale of Property, plant and equipment	63 435,03	6 880,20
Extraordinary items		
Net cash Flow from operating activities	(9 800 767,08)	4 724 101,37
Cash Flows from investing activities		
Increase of tangible and intangible fixed assets	(486 586,15)	(1 144 393,16)
Proceeds from tangible and intangible fixed assets⁴(+)	168 260,54	
Purchase of investments		
Proceeds of investments		
Extraordinary items		
Net cash flow from investing activities	(318 325,61)	(1 144 393,16)
Net increase/(decrease) in cash and cash equivalents	(10 119 092,69)	3 579 708,21
Cash and cash equivalents at the beginning of the period	15 485 078,55	11 905 370,34
Cash and cash equivalents at the end of the period	5 365 985,86	15 485 078,55

The significant change in cash and cash equivalents (€ 10.1 million) is due mainly to the investment in medium term financial assets.



⁴ *The loss on sale of property, plant and equipment does not refer to actual cash, but rather cancellation of depreciation on disposed assets
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5. NOTES TO THE FINANCIAL ACCOUNTS

1. Intangible Fixed Assets 2009

2009		Computer software	Intangibles under construction	Total
Gross carrying amounts 01.01.2009	+	514 315.95	-	514 315.95
Additions 2009	+	85 583.32		85 583.32
Disposals	-			
Transfers between headings	+/-			
Other changes	+/-			
Gross carrying amounts 31.12.2009		599 899.27		599 899.27
Accumulated depreciation 01.01.2009	-	(187 684.37)		(187 684.37)
Depreciation 2009	-	(117 142.34)		(117 142.34)
Write-back of depreciation	-			
Depreciation on disposals	+/-			
Impairment	+/-			
Accumulated depreciation 31.12.2009		(304 826.71)		(304 826.71)
Net carrying amounts 31.12.2009		295 072.56	-	295 072.56

2. Tangible Fixed Assets 2009

2009		Land	Buildings	Plant and Equipment	Computer hardware	Assets under Construction	Total
Gross carrying amounts 01.01.2009	+	292 220,00	3 489 401,98	295 409,58	351 250,94	1 356 760,64	5 785 043,14
Additions	+		289 135,42	57 772,41	54 095,00		401 002,83
Disposals	-			(459,03)	(62 976,00)		(63 435,03)
Transfer between headings	+/-		1 356 760,64			(1 356 760,64)	0,00
Other changes (1)	+/-						0,00
Gross carrying amounts 31.12.2009		292 220,00	5 135 298,04	352 722,96	342 369,94	-	6 122 610,94
							0,00
Accumulated amortization and impairment 01.01.2009	-		(858 242,77)	(214 241,80)	(263 747,44)		(1 336 232,01)
Depreciation	-		(118 382,84)	(25 782,32)	(57 937,72)		(202 092,88)
Write-back of depreciation	+			459,03	70 186,31		70 645,34
Disposals	+						0,00
Impairment (1)	-						0,00
Write-back of impairment	+						0,00
Transfer between headings	+/-						0,00
Other changes (1)	+/-						0,00
Accumulated amortization and impairment 31.12.2009		-	(976 615,61)	(239 565,09)	(251 498,85)	-	(1 467 679,55)
Net carrying amounts 31.12.2009		292 220,00	4 158 682,43	113 157,87	90 871,09	-	4 654 931,39

3. Medium term investments

Description	2009	2008
Medium-term negotiated deposits	3 300 000	-
Government bond portfolio	6 921 744,07	-
TOTAL	10 221 744,07	-

The office invested € 3 300 000 in negotiated deposits with fixed income returns for periods of 18 to 24 months. Furthermore, € 6.9 million was invested in a government bond portfolio.



4. Short-term receivables 2009

Description	2009	2008
VAT to recover	281 297,91	660 487,05
Customers	2 706 271,72	2 175 964,72
Deferred charges	19 150,19	24 124,11
TOTAL	3 006 719,82	2 860 575.88

Significant reduction in the backlog of VAT to be received in 2009. Amounts paid in the year for services or products which will be received in a future year.



5. Treasury 2009

Description	2009	2008
Current accounts	1 180 398,65	1 271 689,84
Imprest accounts	68 725,30	75 191,35
Cash in hand	762,24	762,24
Transfers (cash in transit)	10 161,67	-
Negotiated deposits and bonds	4 105 938,00	14 137 435,12
TOTAL	5 365 985,86	15 485 078,55



6. Other receivables 2009

Description	2009	2008
Interest receivable	12 743,45	54 525,90
Other	356,70	8 321,96
TOTAL	13 100.15	62 847,86



7. Statement of changes in Capital 2009

Description	
Cumulated reserve at 31.12.2008	9 247 461.59
Adjustments re-opening balance 2005	5 400 085.08
Profit carried forward 2008	(1 885 815.37)
Cumulative reserve at 01.01.2009	12 761 731,30
Adjustment for social security costs 2004-2007	112 568,27
Re-stated cumulated reserve at 01.01.2009	12 874 299,57
Interest on available for sale investments 2009	55 692,27
Profit for the year 2009	(539 403.46)
Cumulated reserve at 31.12.2009	12 390 588,38

The distinction between cumulated reserve and opening readjustment 2005 has no relevance and from 2009 onwards, only the total amount is shown for future years. The opening readjustment related to a recalculation of cumulated reserve at the time the accounts were first shown on an accrual basis.

In accordance with accounting rule 11, Fair Value adjustment on available for sale assets is valued at year-end and taken directly to the reserve.

The adjustment for salary costs relates to an over-provision of social security charges which is not now payable. As this relates to prior years, the liabilities on the balance sheet are re-stated for 2008.



8. Accounts payable 2009

Description	2009	2008: re-statement	2008
Suppliers	28 261,11	30 403,76	30 403,76
Social charges	296, 21	1 857,81	111 761,31
Sundry credit accounts	91 018,07	27 965,20	27 965,20
VAT	-	9 186,60	9 186,60
Current payables	119 575,39	69 413,37	179 316,87
Suspense account	70 167,48	59 154,09	61 818,86
Deferred income	7 037 626,02	5 336 959,80	5 336 959,80
Invoices to be received	3 650 468,54	4 652 058,92	4 652 058,92
Accrued charges (holidays)	37 899,82	62 718,76	62 718,76
Pre-financing received	106 226,71	23 418,39	23 418,39
Customer charge accounts	105 816,10	108 667,10	108 667,10
Accrued charges and deferred income	11 008 204,67	10 242 977,06	10 245 641,83
TOTAL	11 127 780,06	10 312 390,43	10 424 958,70

Social changes for 2008 were re-stated to reflect a reduction in the outstanding debt of € 109 903,50. This amount relates to social charges taken in the financial accounts from 2004-2007 which were determined not to be payable in 2009. Similarly an amount of € 2 664,47 was shown in the suspense account relating to the same charges.



9. Long-term provisions

Description	2009	2008
Provision	41 930,41	-
TOTAL	41 930,41	-

The salary increase proposed by the European Commission was rejected by the Council. A court-case is pending in order to determine if this amount is payable. It is expected that a decision will be taken in 2011.

10. Contingent assets

The Office recently completed the purchase and renovation of the building at 9 Foch, Angers. The guarantees on the renovation amount to 5 % of the cost of renovation (€ 78 000).



6. SUMMARY OF MAIN ACCOUNTING PRINCIPLES

In accordance with the Financial Regulation (EC, Euratom) n°1605/2002 of the Council of 25 June 2002, amended by Council Regulation (EC, Euratom) n° 1995/2006 of 13 December 2006 and (EC) n° 1525/2007 of 17 December 2007, the CPVO's financial statements⁵ for the financial year 2008 are prepared on the basis of the EC Accounting Rules which adapt the International Public Sector Accounting Standards (and in some cases the International Financial Reporting Standards) to the specific environment of the Communities⁶, while the "Reports on implementation of the budget" continue to be primarily based on movements of cash.

The accounts are prepared for the financial year running from 1 January 2008 to 31 December 2008.

ACCOUNTING PRINCIPLES

The objective of the financial statements is to provide information about the financial position, performance and cashflows of an entity that is useful to a wide range of users. For the CPVO, the objectives are more specifically to provide information useful for decision making, and to demonstrate the accountability of the entity for the resources entrusted to it.

In accordance with Article 124 of the Financial Regulation the CPVO applies the following accounting principles in drawing up the financial statements:

- going concern basis
- prudence
- consistent accounting methods
- comparability of information
- materiality
- no netting
- reality over appearance
- accrual-based accounting

⁵ The Financial Statements comprise the balance sheet, the economic outturn account, the cash flow table, the statement of changes in net assets and explanatory notes.

⁶ The accounting rules adopted are inspired by International Public Sector Accounting Standards (IPSAS) issued by the International Federation of Accountants or, in their absence, the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board.
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BALANCE SHEET

Intangible Fixed Assets

Acquired computer software licences are stated at cost less accumulated amortisation and impairment losses. The assets are amortised on a straight-line basis over their estimated useful lives, being 4 years. Internally produced intangible assets are currently expensed in the economic outturn account.

Costs associated with developing or maintaining computer software programmes are recognized as expenses as incurred, as are scientific research and development costs.

Property, plant and equipment

All property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Agency and its cost can be measured reliably. Repairs and maintenance are charged to the economic outturn account during the financial period in which they are incurred.

Land is not depreciated as they are deemed to have an infinite life. Assets under construction are not depreciated as these assets are not yet available for use. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Depreciation rates:

Type of asset	Straight line depreciation rate
Buildings	4%
Furniture	12.5%
Fixtures and fittings	25%
Vehicles	12.5%
Computer hardware	33%

Gains and losses on disposals are determined by comparing proceeds less selling expenses with the carrying amount of the disposed asset. These are included in the economic outturn account.

Medium term financial assets:

The office invests part of its cash reserve in a government bond portfolio. This portfolio, divided into units which are quoted on a daily basis, are "Available-for-Sale" and as such the the valuation in the fair value is taken directly to the equity of the balance sheet in accordance with the European



Commission's Accounting Rule 11. Recognition of a gain or a loss will happen at the moment of the sale (partial or total) of the portfolio.

For held-to-maturity assets (negotiated deposits with an expiry date of greater than one year), interest is recorded on an accrual basis.

Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

Receivables

Receivables are carried at original amount less write-down for impairment. A write-down for impairment of receivables is established when there is objective evidence that the CPVO will not be able to collect all amounts due according to the original terms of receivables. The amount of the write-down is the difference between the asset's carrying amount and the recoverable amount, being the present value of expected future cash flows, discounted at the market rate of interest for similar borrowers. The amount of the write-down is recognized in the economic outturn account.

Cash and cash equivalents

Cash and cash equivalents are defined as short-term assets. They include cash at hand, deposits held at call with banks, other short-term highly liquid investments.

Pension obligations

The pension obligations for the CPVO are managed by and recognized as a liability in the accounts of the European Communities which operates defined benefit pension plans. A defined benefit plan is a pension plan that generally defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

Provisions

Provisions are recognized when the CPVO has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Payables

Payables arising from the purchase of goods and services are recognized at invoice reception for the original amount and corresponding expenses are entered in the accounts when the supplies or services are delivered and accepted by the CPVO.

Accrued and deferred income and charges

A critical element in accrual accounting is the exercise of ensuring that transactions are recorded in the accounting year to which they relate. This exercise is referred to as the cut-off exercise.



The CPVO applies the accounting rules of the EC in this regard. According to the European Communities accounting rules, transactions and events are recognized in the financial statements in the period to which they relate. At the end of the accounting period, accrued expenses are recognized based on an estimated amount of the transfer obligation of the period. The calculation of the accrued expenses is done in accordance with detailed operational and practical guidelines issued by the Commission which aim at ensuring that the financial statements reflect a true and fair view.

Revenue is also accounted for in the period to which it relates.

In addition, at year-end, if an invoice is issued but the services have not yet been rendered, the revenue will be deferred and recognized in the subsequent accounting period.

ECONOMIC OUTTURN ACCOUNT

Revenue

Revenue from the sale of goods is recognized when the significant risk and rewards of ownership of the goods are transferred to the purchaser. In the case of the CPVO, this means the moment when the Agency issues an invoice or recovery order.

Interest income and expense

Interest income and expense are recognized in the economic outturn over the relevant period.

Expenditure

Exchange expenses arising from the purchase of goods and services are recognized when the supplies are delivered and accepted by the CPVO. They are valued at original invoice cost.

